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# PETROLEUM MARKETING COMMISSION

## 1988 ANNUAL REPORT

Alberta PETROLEUM MARKETING COMMISSION

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June 1, 1989

The Honorable Rick Orman
Minister of Energy
Government of Alberta
Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Sir:

In accordance with the provisions of the Petroleum Marketing Act, the Natural Gas Pricing Agreement Act and the Take-or-pay Costs Sharing Act, the Alberta Petroleum Marketing Commission has prepared a general report summarizing its transactions and affairs for the fiscal year ended December 31, 1988. I have the pleasure to submit the 1988 Annual Report that you may lay a copy before the Legislative Assembly.

Respectfully,

D.A. Lucas
Chairman

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*Western Vision*, from a limited edition series by Karl E. Wood of Cochrane, Alberta, portrays our western heritage with its abundance of wildlife and natural resources and the peaceful coexistance of the two.
This art work has been provided courtesy of Exploration Arts, Calgary.

Western Vision

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# MESSAGE FROM THE CHAIRMAN

Overproduction and overstocking on a worldwide basis throughout most of 1988 caused crude oil price weakness and volatility. The year ended on a note of optimism, however, following OPEC's success at crafting a new agreement on prices and production quotas in November.

Access to premium crude oil markets in central Canada and the United States Midwest was affected by capacity shortages on the Interprovincial Pipe Line Limited system. Capacity additions put in service in early fall and the introduction of new reporting procedures aimed at curbing overnominations, which tended to exacerbate the capacity constraints, eased this transportation bottleneck.

Marketing of crude oil continued to be a dynamic process in 1988. Corporate restructuring of refining interests in North America and the changing mix of crude oil supply available to the Commission, particularly the trend towards a heavier Alberta barrel, required constant attention to ensure optimal sales revenues. The Commission's matrix of customers continues to reflect satisfactorily this process of change.

Although natural gas prices were lower in 1988 than in 1987, increased sales volumes in all markets served by Alberta resulted in a rise in total revenues. Prices appear to have bottomed out and are expected to recover somewhat in 1989. Forecast increases in domestic and export requirements in the years ahead should have a positive impact on revenues. If this growth in sales is to be realized, Canadian and connecting U.S. pipeline systems, most of which are currently strained to their limits, will have to be expanded.

Since 1985, one of the Commission's key objectives in participating in regulatory proceedings has been to ensure a smooth transition to market-oriented pricing of natural gas. While this remains an important priority, significant attention will be focussed in the coming year on evaluating the many proposals being advanced to construct additional pipeline capacity to serve domestic and export markets for natural gas.

# MARKET OVERVIEW

## PETROLEUM MARKETS

Low world oil prices, at levels reminiscent of 1986, dominated the market during 1988. As measured by West Texas Intermediate, world oil prices averaged US$16.00 per barrel, approximately $3.00 per barrel below the 1987 level. Overproduction and overstocking throughout the third and fourth quarters of 1987, combined with a less than positive outcome from the 82nd Meeting of the OPEC Conference in December 1987, caused a steady decrease in oil prices in the first quarter of 1988. This decline was halted in April by the positive psychological impact of the OPEC emergency meeting and the talks between OPEC and non-OPEC producers.

The second half of 1988 commenced with Iran accepting the UN resolution for a cease-fire in its war with Iraq. This development temporarily halted the downward trend started in June and brought crude prices out of a slump. However, overproduction in the succeeding months caused prices to plummet again, dropping below the US$14.00 per barrel mark in October. Prices started to rise in anticipation of a strong outcome from the 84th Meeting of the OPEC Conference held in November 1988. This meeting resulted in quotas fixed at 18.5 million barrels per day for the first half of 1989. The agreement was signed after Iran ceded to Iraq's demands for an equal quota. The increase in Iraq's quota came, in terms of market share percentage, at the expense of other OPEC members. OPEC also created a stronger definition of condensates which could lead to their inclusion in future OPEC quotas.

Crude oil demand increased considerably in the fourth quarter, resulting in an average increase of five percent in 1988 over 1987. The increase in world crude oil demand was caused by higher than anticipated economic growth during the year, particularly in the Pacific Rim countries. Higher crude oil demand, decreases in North Sea production and the positive result of the November OPEC meeting caused the price to increase to an average US$16.30 per barrel in December, approximately $3.00 per barrel over November.

### United States

In the United States, lower crude oil prices during 1988 caused a further reduction in domestic crude oil production. The price collapse of 1986 and the ensuing price volatility seriously affected the confidence of the industry and the commitment to explore for new domestic reserves. In addition, many wells became uneconomic and were shut in.

Production in the Lower 48 States fell to 970 thousand cubic meters (6.1 million barrels) per day in 1988, the lowest level since 1950. This decline, coupled with an increase in petroleum demand, necessitated further increases in imports.

Petroleum product demand reached 2.73 million cubic meters (17.2 million barrels) per day in 1988, an increase of 85 thousand cubic meters (535 million barrels) per day or three percent over the previous year. Strong economic growth of over four percent was the main contributing factor to this increase. All major product categories contributed to this growth, with gasoline rising by two percent and heating oil showing four percent growth over 1987.

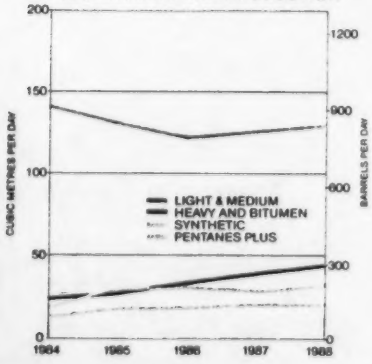
To bridge the gap between declining production and growing consumption, the United States increased crude oil imports by an additional 69 thousand cubic meters (435 thousand barrels) per

FIGURE 1
ALBERTA CRUDE OIL SALES
(CUBIC METRES PER DAY)

day to a total of 800 thousand cubic meters (5.0 million barrels) per day. In addition, product imports showed a dramatic rise of ten percent. Gross imports accounted for 42 percent of domestic consumption - up from 31 percent three years before. Of that three-year increase, about 80 percent was supplied by OPEC producers, mainly from the Middle East, which reflects the geographic concentration of worldwide incremental crude oil production.

As in the previous two years, Canada shared in supplying this crude oil shortfall. Exports to the United States leaped 11 percent in 1988 to a yearly average of 108 thousand cubic meters (675 thousand barrels) per day. Alberta's share of total Canadian exports to the United States was 85 thousand cubic meters (533 thousand barrels) per day. The expansion of the Interprovincial Pipeline Company system in September 1988, which added almost five thousand cubic meters (30 thousand barrels) per day of capacity, provided Alberta with an opportunity to secure additional markets in the United States Midwest.

FIGURE 2
ALBERTA CRUDE OIL PRODUCTION




Canada

Canadian production of crude oil climbed five percent to 274 thousand cubic meters (1.7 million barrels) per day. Despite low world oil prices in 1988, Alberta's crude oil production rose six percent over 1987 to 227 thousand cubic meters (1.4 million barrels) per day. Deliveries of light and medium crudes climbed over three percent to 134 thousand cubic meters (846 thousand barrels) per day, with additional exports to the United States and increased sales to the Quebec market accounting for the majority of this increase.

As a result of strong domestic economic growth, petroleum product sales increased by six percent to 182 thousand cubic meters (1.14 million barrels) per day. Heavy fuel oil demand surged 18 percent as pulp and paper companies in Quebec with fuel-switching abilities took advantage of competitive pricing against hydro electricity.

Total refinery runs in Canada averaged 250 thousand cubic meters (1.6 million barrels) per day, up six percent over 1987. All provinces contributed to the increase, especially in the Atlantic region, as the Come-by-Chance refinery in Newfoundland operated for the full year.

NATURAL GAS MARKETS

Increased sales of Canadian natural gas in the domestic and United States markets of seven percent and 28 percent respectively, resulted in an overall increase in gas sales of 15 percent over 1987 to 85 billion cubic meters (three trillion cubic feet). Alberta's share of total domestic and export sales increased by two percent to 88 percent. Figure 3 shows the disposition of Alberta natural gas sales.

United States

United States demand increased 4.6 percent to 507 billion cubic metres (17.9 trillion cubic feet) in 1988. Much of this growth was attributed to a seven percent gain in industrial gas demand. Higher levels of output, particularly in energy-intensive industries, were a by-product of a relatively healthy economy which experienced three percent growth over the year. Decreased hydro-electric generation due to drought conditions increased the gas requirements at electrical generating plants. Colder temperatures, which caused an increase in the heating load, also created additional consumption.

Supply availability continued to influence prices and, as a result, the purchasing decisions of gas buyers. Problems caused by declining deliverability, which were experienced in the previous year, particularly with respect to the Gulf Coast, produced a more cautious attitude among gas buyers. This resulted in buyers contracting for longer term supplies. The regional movement of spot prices above pipeline

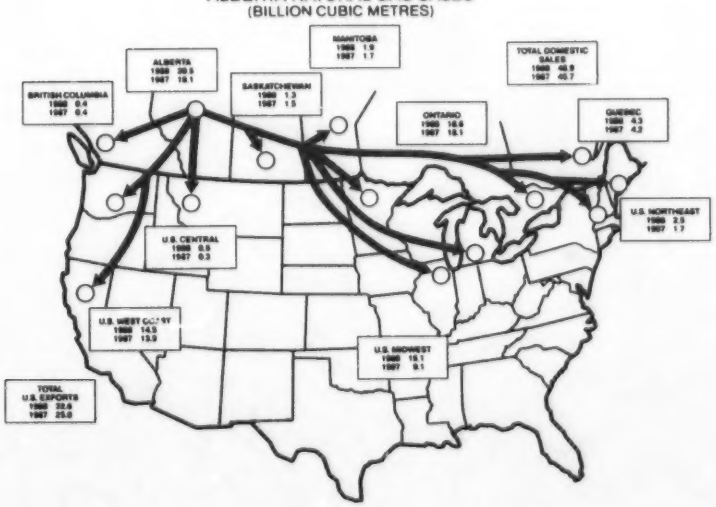
commodity sales rates, during periods when gas demand was particularly strong, resulted in longer term contracting and increased storage utilization in 1988. This tended to reduce reliance on the spot market.

Total Canadian exports to the United States increased 28 percent over the previous year to 35.9 billion cubic meters (1.27 trillion cubic feet). The Canadian share of the 1988 United States gas market also increased to seven percent, due primarily to greater price flexibility in long-term contracts and competitiveness in the spot market. Alberta's share of Canadian exports (Figure 4) increased to 90 percent, or 32.3 billion cubic meters (1.14 trillion cubic feet). Although gas export prices were lower in 1988 than in 1987, the percentage decline was the lowest since 1984. In spite of lower prices, Canadian gas export revenues approached $3.0 billion, up approximately 30 percent over 1987. This was the first time in six years that export revenues showed an increase. Rising demand, reduction of the "gas bubble", and declining reserve additions contributed to a strengthening of gas prices in the United States, especially in the latter part of 1988.

The United States Midwest region was the major growth market for Canadian gas in 1988, due to improved pipeline access. The transportation agreement between Pan-Alberta Gas Ltd. and United Gas Pipe Line Company was of particular benefit as it allowed Pan-Alberta to increase spot sales to its United States subsidiary.

California remained a strong market for gas exports, due to its current high economic growth rate and local drought conditions. Netbacks from this region continued to be the highest among export markets.

FIGURE 3
ALBERTA NATURAL GAS SALES
(BILLION CUBIC METRES)




Canada

Revenues from intra-Alberta natural gas sales rose five percent despite an overall price decline of seven percent. Intra-Alberta gas demand increased 13 percent over 1987. The largest increase in consumption took place in the industrial sector and in gas used at processing and liquids extraction plants. Direct sales comprised 39.2 percent of the total intra-Alberta market.

The average price at the Alberta border for interprovincial gas sales decreased two percent as a result of renegotiated arrangements for system sales. Much of this decrease was the result of intense competition for the industrial market between Western Gas Marketing Limited (WGML) and direct sellers. This price decline was less than that of the previous year. Increased volumes offset the price decrease, leaving revenues from interprovincial sales unchanged. By year-end, natural gas sold through direct sales accounted for 26.5 percent of Alberta's interprovincial sales (Figure 5).

Alberta's share of the interprovincial market increased from 76 percent in 1987 to 78 percent (Figure 6). Sales of Alberta natural gas in the interprovincial

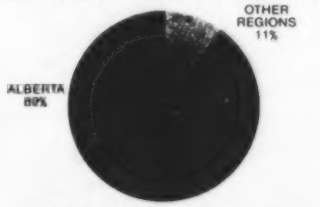
market increased three percent in 1988 as a result of colder temperatures and an increase in overall economic activity. Manitoba and Quebec experienced the largest increase in gas demand while Ontario remained relatively stable. Sales to Saskatchewan decreased marginally, as indigenous production captured a greater market share, particularly in direct sales to residential and commercial end-users.

The signing of sales and transportation agreements between WGML and domestic distributors in late 1988 was an important development in the domestic market. The term of the agreements is for 12 to 15 years for core market supply and two to five years for non-core supply. The agreements will result in local distribution companies becoming shippers on the TransCanada PipeLines Limited system, rather than WGML, and will establish a set price for a two-year period at the Alberta border. The gas costs contained in the agreements were subsequently approved for rate-making purposes by provincial regulatory agencies, thereby permitting their implementation.

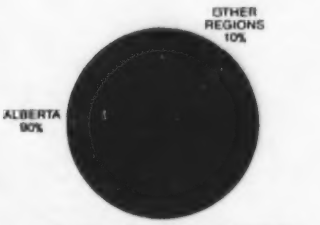
The outlook for the Canadian natural gas industry in the coming years is promising. Higher domestic requirements, coupled with increases in exports, will continue to have a positive impact on overall prices and revenues for the 1990's. The gradual strengthening of prices observed throughout the United States in 1988 is expected to continue in 1989, as the surplus continues to dissipate and the interest in long-term contracting and improved storage utilization holds.

In the domestic market, steady growth is expected for intra-Alberta gas sales. Slight increases in ex-Alberta sales are anticipated as well, paralleling economic performance. The growth in Alberta's total share of the domestic market outside the province may not be sustained, however, due to increasing competition from Saskatchewan. Expanding domestic and export markets are straining the capacity of Canadian pipeline systems, making expansion necessary if sales growth is to continue. Opportunities for additional sales, particularly in the United States, will necessitate an evaluation of the relative merits of serving specific markets. This will ensure that benefits to Alberta are maximized.

FIGURE 4
ALBERTA'S SHARE OF THE EXPORT NATURAL GAS MARKET

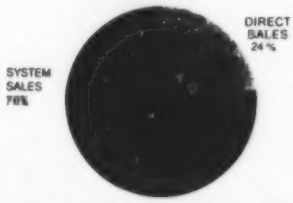



1987 - 23.7 BILLION CUBIC METRES

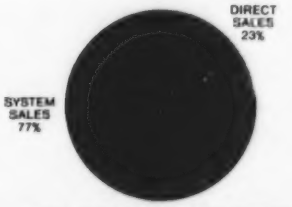



1988 - 32.3 BILLION CUBIC METRES

FIGURE 5
DIRECT SALE SHARE OF THE EX-ALBERTA DOMESTIC NATURAL GAS MARKET

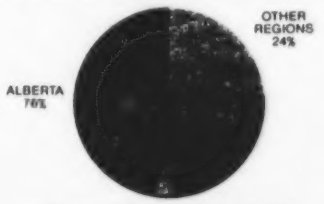



1987 - 33.7 BILLION CUBIC METRES

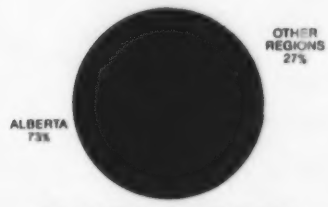



1988 - 36.3 BILLION CUBIC METRES

FIGURE 6
ALBERTA'S SHARE OF THE DOMESTIC NATURAL GAS MARKET




1987 - 33.7 BILLION CUBIC METRES




1988 - 36.3 BILLION CUBIC METRES

# CRUDE OIL

## OVERVIEW OF OPERATIONS

The Commission, as agent for the Crown, markets Alberta's royalty share of crude oil as well as the province's equity share of synthetic crude production from the Syncrude Canada Ltd. project. The Commission is the largest marketer of crude oil in Canada. To carry out its mandate, the Commission maintains a sales organization, whose staff have considerable industry experience. In 1988, over 175 Alberta producers chose to market their crude oil through the Commission's contract marketing program, provided under the authority of the Petroleum Marketing Act.

The Commission's sales effort is supported by an operations group which oversees the flow of oil from wellhead to point of sale. The Commission gathers crude oil from over 900 receipt points in Alberta and transports it by feeder pipelines to central locations for refining or injection into inter-provincial pipeline systems. Total deliveries of crude oil to ex-Alberta destinations rose 25 percent to 8.2 million cubic metres (51 million barrels). Commission staff work closely with industry to promote efficient use of transportation systems which serve producers and refiners. The Commission draws from its day to day involvement in the marketing and transportation of crude oil to keep the Government of Alberta abreast of industry developments. Commission participation on various industry task forces has helped to ensure that crude oil marketing and transportation problems are resolved in the public interest.

### Sales

Volatile world oil prices and domestic transportation bottlenecks created a climate of uncertainty for Alberta producers and marketers in 1988. Memories of 1985-86 were refreshed as world oil prices again came under severe downward pressure. During the first half of 1988, the political situation in the Persian Gulf favored overproduction by Saudi Arabia and Kuwait. The turning point came with Iran's acceptance of the UN cease-fire resolution, ending its eight year war with Iraq. The cease-fire led to improved relations among OPEC countries, culminating in a new production agreement in November. Monthly average spot prices for West Texas Intermediate crude oil ranged from an April high of US$17.88 per barrel to a low of US$13.83 per barrel in October (Figure 7).

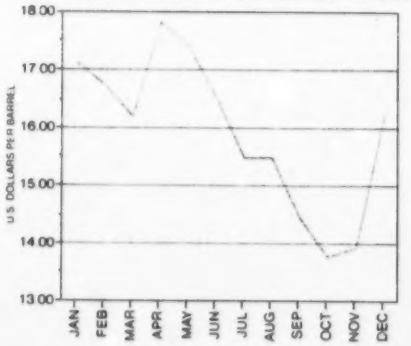
Locally, capacity shortages along the Interprovincial Pipe Line Company (IPL) system presented major challenges for producers attempting to access premium markets for Alberta crude oil in Eastern Canada and the US Midwest. Throughout most of the year, space was apportioned along IPL, although capacity shortages were exaggerated by inflated nominations as shippers attempted to minimize the impact of apportionment.

An industry task force, in which the Commission participated, investigated ways to improve the system of verifying pipeline nominations against expected oil production levels. The task force recommended new reporting procedures which have reduced the practice of overnominating forecast production to protect pipeline space.

In general, 1988 was a profitable year for refiners as high gasoline prices boosted margins and capacity utilization rose to its highest level in several years. Amidst this prosperity, corporate restructuring was apparent in the downstream markets for Alberta oil. In some cases new ownership was welcomed by Alberta crude suppliers. Other mergers and acquisitions involving refiners of Alberta crude oil signalled new marketing challenges in the years ahead. Most notable was the acquisition of Unocal Corporation's US midwest refinery by the Venezuelan national oil company, Petroleos de Venezuela.

In pursuit of further market diversification, the Commission helped organize a joint industry sales delegation to certain Pacific Rim countries where meetings were held with refining companies. These opportunities will continue to be explored.

FIGURE 7
NEW YORK MERCANTILE EXCHANGE
1988 WTI SPOT MONTH SETTLEMENT PRICES



The free trade agreement with the United States will ensure continued access to high value export markets for Alberta crude. The agreement enhances the potential of Alberta crude as a secure, long-term source of supply for U.S. refiners.

Figure 8 summarizes the royalty share of Alberta's conventional crude oil production marketed by the Commission in 1988. Receipts of light and medium royalty oil totalled 8.1 million cubic meters (50.9 million barrels), down 4.6 percent from 1987. Total Alberta production of light and medium crude oil was 49.2 million cubic meters (309.6 million barrels) up four percent from the year before. Royalty receipts of heavy crude and bitumen were 897 thousand cubic meters (5.6 million barrels), an increase of 5.3 percent over 1987.

Total revenue from royalty sales of conventional crude oil production was $962 million, down 26 percent from the previous year.

## Pricing

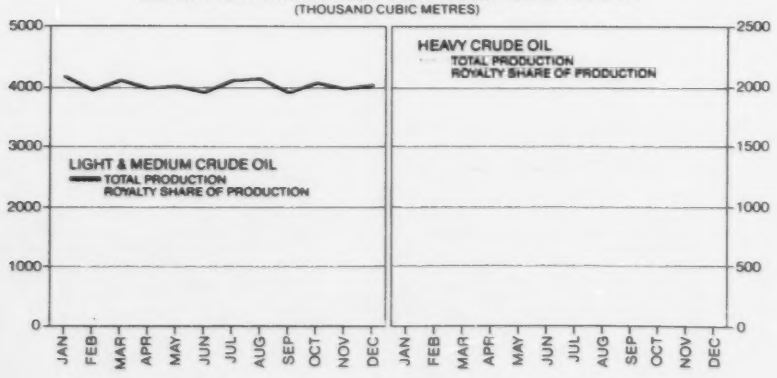
In March new industry procedures were implemented for determining equalization payments among shippers on pipelines where oil is commingled into single streams. The new equalization procedures specified price adjustments for sulphur and density variations. Several refiners have refused to accept these equalization procedures as part of their price structure. Producers and refiners are still searching for a compromise on the question of stream pricing methods. Table 1 shows monthly reference prices for sweet and sour crude.

TABLE 1
1988
CRUDE OIL REFERENCE PRICES
(dollars per cubic metre)

| | SWEET CRUDE | SOUR CRUDE |
|---|---|---|
| JAN | 134.41 | 131.48 |
| FEB | 129.38 | 125.90 |
| MAR | 121.81 | 117.05 |
| APR | 125.88 | 119.81 |
| MAY | 130.13 | 124.19 |
| JUN | 124.65 | 120.17 |
| JUL | 114.56 | 110.82 |
| AUG | 114.00 | 111.44 |
| SEP | 111.37 | 110.28 |
| OCT | 102.07 | 110.63 |
| NOV | 101.09 | 99.20 |
| DEC | 106.57 | 103.41 |

Prices shown are for crude oil with a density of 825 kilograms per cubic metre and a sulphur content of not more than 5 grams per kilogram, delivered into, respectively, sweet or sour pipelines.

FIGURE 8
1988 CONVENTIONAL CRUDE OIL PRODUCTION IN ALBERTA
(THOUSAND CUBIC METRES)




Reference prices are based on sales revenue net of transportation from Edmonton to point of sale. Quality adjustments and pipeline tariffs are deducted from these prices to determine field prices for more than 6,000 producing battery locations. In 1988 the average of these field prices was $107.70 per cubic meter ($17.11 per barrel), down 25 percent from 1987.

## Synthetic Crude

The Province has a 16.74 percent equity participation in the Syncrude project and receives a 50 percent share of the deemed net profits in lieu of royalty. Total Syncrude production rose 9.5 percent to 8.7 million cubic meters (54.9 million barrels) in 1988. The volume of synthetic crude oil production sold by the Commission was 1.5 million cubic meters (9.2 million barrels), up 7.1 percent from the previous year.

A major capacity expansion, brought on stream in the third quarter of 1988, is expected to boost production by about four thousand cubic meters (25 thousand barrels) per day in 1989. Rising synthetic oil production from Syncrude, along with new supplies from the Husky Oil Ltd. and Newgrade Energy Inc. heavy oil upgraders, will make a significant contribution to Canada's future energy security. However, short-term market potential for these high grade feedstocks has not been fully identified. Increased emphasis on market development will be more evident in the years ahead.

# NATURAL GAS

## OVERVIEW OF OPERATIONS

Since the deregulation of natural gas prices on November 1, 1986, the Commission's activities have included:

- the determination, at the request of producers and purchasers, of costs, charges and revenues representing components of the price of natural gas;
- the issuance of findings of producer support for netback pricing arrangements;
- the collection and analysis of information on Alberta natural gas prices and markets under the Natural Gas Marketing Act (NGMA);
- the determination of take-or-pay levies and payment of take-or-pay costs under the Take-or-pay Costs Sharing Act.

## NATURAL GAS MARKETING ACT

### Services Relating to Price Components

Under the authority of Part 1 of the NGMA, the Commission may agree to provide the following services under a gas contract:

- the determination, confirmation or verification of price components.
- the allocation of all or part of the amount of a price component to a gas contract or gas contracts.
- the redetermination of price components or the calculation of adjustments of price components.
- any other services that pertain to or are incidental to the ascertainment of the amounts of price components.

During 1988 the Commission provided price component services to four clients on a cost recovery basis.

### Producer Support for Downstream Pricing

Should producers and buyers agree to a netback pricing clause in their natural gas purchase contract, Part 2 of the NGMA provides for producer input to the resale price. NGMA regulations require the buyer to obtain support of a minimum of 70 percent of producers by volume of supply and 51 percent by number. The buyers present a resale proposal to the producers for voting purposes, the results of the vote are presented to the Commission, and a finding of producer support is issued if the above criteria are met. Shippers of netback gas may be subject to penalties imposed by the Commission if they ship gas without a finding of producer support.

During 1988, the Commission issued 45 decisions in respect of producer support.

### Information Collection

The Commission collects information concerning the purchase and sale of Alberta marketable natural gas. The data collected includes field purchase information provided primarily by first buyers. Large volume end-users and designated distributors supply information on consumption within Alberta. Ex-Alberta sales information is provided by the owners of the natural gas at the time it leaves Alberta.

The Commission also collects information from the owners regarding imports of natural gas into Alberta.

Information is collected on a confidential basis for use in developing government policies, verifying royalty payments and establishing average market prices for determining the royalty share of natural gas production. The information is also used to monitor progress under the October 31, 1985 Agreement on Natural Gas Markets and Prices.

## TAKE-OR-PAY COSTS SHARING ACT

The National Energy Board (NEB), under the terms of the October 1985 Agreement, was requested to review the availability of transportation service on the TransCanada PipeLines Limited (TCPL) system, taking into account the equitable sharing of take-or-pay charges. In its May 1986 report, the NEB recommended that take-or-pay costs be shared by Alberta non-system gas transported on the TCPL system and that the sharing arrangements be administered by the Government of Alberta.

In response, the Government of Alberta enacted the Take-or-pay Costs Sharing Act which became effective November 1, 1986. This Act provides for the sharing of TCPL's and Consolidated Natural Gas Limited's (Consolidated) take-or-pay financing costs by way of a monthly levy on users of the TCPL system whose shipping arrangements were entered into after October 31, 1985. The levy on users of the TCPL system has remained at ten cents per gigajoule since November, 1986.

The Commission makes monthly determinations of levies to be applied to TCPL producers, Consolidated producers, shippers on the Nova Corporation of Alberta system, shippers on provincial carrier systems, and to provincial carriers that own the gas. The Commission also determines, on a monthly basis, the quantities of natural gas exempted from the levies.

Revenues derived from the assessment of levies are deposited in the Take-or-pay Costs Sharing Fund for subsequent payment of take-or-pay financing costs. Excluding TCPL and Consolidated producers, levies assessed against shippers accounted for 11.5 percent of total levies during 1988.

## NATURAL GAS PRICING AGREEMENT ACT

Under provisions of the Natural Gas Pricing Agreement Act, the Commission has authority to redetermine the Alberta Cost of Service for an original buyer for any month up to and including October 1986 in order to comply with decisions of the Alberta Public Utilities Board (PUB). During 1988, one PUB decision regarding Commission determinations of Alberta Cost of Service was outstanding as a result of an appeal to the Alberta Court of Appeal.

During the year, monies in the Market Development Fund were transferred to the Natural Gas Pricing Agreement Act Fund. The final Fund distribution of $14.6 million to producers and buyers of record based on October 1986 deliveries was made in January 1989. This refund amounted to 6.83 cents per gigajoule.

# REGULATORY AFFAIRS

During 1988 the Commission, representing the Government of Alberta, participated in the regulatory process in both Canada and the United States. The objectives of this involvement were to ascertain the impact of various issues or proposals on the marketing of Alberta's crude oil and natural gas and to present Alberta's views.

In Canada, the Commission made representations before the National Energy Board (NEB) and the provincial energy regulatory boards in Ontario and Manitoba. In the United States, the Commission was primarily involved in proceedings before the Federal Energy Regulatory Commission (FERC) and the California Public Utilities Commission (CPUC).

## CANADA

The Commission participated actively in two NEB proceedings to address expansion proposals on the TransCanada PipeLines Limited (TCPL) system. The first proceeding dealt with a proposed $335 million expansion for the 1988-89 contract year to transport increased deliveries of natural gas to central Canada and the United States, particularly the Northeast market. Commission witnesses focused on the issue of ultimate liability in the event that the export projects accommodated by the expansion did not materialize as planned. Contractual arrangements and financial assurances which insured that ultimate liability would not be passed on to existing TCPL system users were supported by the Commission. The NEB approved most of the proposed construction but found it unnecessary to connect U.S. Northeast markets at the Iroquois export point. The NEB felt that complementary regulatory approvals in the U.S. would not be obtained prior to the November 1, 1989 proposed in-service date.

In the second facilities proceeding, the Commission presented final argument in support of TCPL's application to construct additional facilities for the 1989-90 contract year at a cost of $568 million. These facilities were required to accommodate increased demand in the domestic and export markets and to provide some level of advance capacity on the TCPL system. In December the NEB approved this expansion.

The Commission also participated in an NEB proceeding which addressed facility additions and toll design issues on the Trans Mountain Pipe Line Company Ltd. system. Trans Mountain applied for approval of a methodology for calculating tolls and to expand its system in two stages, at a cost of $57 million. Stage I of the expansion would be to move additional heavy oil and Stage II would be to move methyl tertiary butyl ether. Commission witnesses addressed the determination of heavy oil surcharges to allocate more properly the added costs of moving heavy oil in order to avoid the subsidization of heavy oil shippers by light oil shippers. The NEB approved the first stage of the expansion stating it would enhance the capability to move heavy oil to Vancouver and to export markets but it found the second stage premature. A 15 percent fuel and power operating surcharge and a five percent capacity surcharge for heavy oil were also approved.

The Commission made representations before the Federal Court of Appeal to oppose an application for Leave to Appeal an NEB decision by the Manitoba Oil and Gas Corporation (MOGC). The MOGC alleged that the NEB had erred in law and exceeded its jurisdiction in denying the application which would have obliged TCPL to transport natural gas on its behalf. This would have had the effect of displacing TCPL's supplies to Manitoba distributors. The Commission argued that the NEB's decision was the result of the valid exercise of its jurisdiction under the National Energy Board Act. The Court dismissed the MOGC's application without reasons.

During the year, the NEB addressed applications by several natural gas exporters to amend, extend the term, or increase the volumes authorized for export under existing licenses or, in some cases, for completely new licenses.

The Commission closely monitored these proceedings which were the first to be considered under the NEB's new market-based surplus determination procedure. This procedure contains a complaints mechanism by which a domestic gas user may object to a proposed export on the grounds that it cannot obtain supplies under similar terms and conditions, including price.

The Commission intervened and participated actively in the two phases of the 1988-89 TCPL Tolls hearing before the NEB. In Phase I, the Commission's main concern was the re-examination of the NEB's prohibition of self-displacement by distributors. The Commission opposed the removal of the prohibition on the grounds that it was contrary to the intent of the October 1985 Agreement on Natural Gas Markets and Prices. However, the NEB decided to remove the prohibition on self-displacement, with effect from November 1, 1989. Phase II of the proceeding, dealing with cost of service and tariff matters, commenced in January, 1989.

In Ontario, the Commission intervened in a proceeding conducted by the Ontario Energy Board (OEB) which examined all matters pertaining to the current and future needs of Ontario gas users. The hearing addressed the short and long-term implications for supply relative to deliverability, price, reserves and transportation. The Commission monitored the hearing closely as the issue of appropriate policies to ensure supply security is the subject of ongoing discussion between the Governments of Ontario and Alberta. The Commission filed a letter from the Alberta Minister of Energy to the Ontario Minister of Energy outlining Alberta's view that the scope of deregulation be expanded to allow core market users access to direct sales provided they enter into long-term supply contracts of 10 to 15 years.

In its report, the OEB took the view in assessing security issues that attention should be focused on the availability of transportation facilities because a properly functioning marketplace would ensure the reasonable availability of supply. The report recommended that Ontario distributors meet the notice period required for the construction of new facilities and carry gas only for parties having supply and transportation arrangements with a minimum three-year rolling term, unless otherwise directed.

At year-end, the Commission intervened in hearings to be held by the OEB and the Manitoba Public Utilities Board in early 1989. These hearings would deal with the pass through in sales rates of the gas costs which flow from supply arrangements negotiated between Western Gas Marketing Limited and distributors in Ontario and Manitoba. Both boards subsequently approved new rates based on the initial two-year pricing period in these arrangements.

UNITED STATES

Throughout the year, the FERC conducted a proceeding to deal with an application by Pacific Gas Transmission Company Limited (PGT) for the approval of new rates on its system. PGT transports the majority of the significant volume of natural gas flowing from Alberta to the California market. The Commission supported the retention of the cost-of-service treatment of upstream Canadian costs because it would serve to maintain Alberta's competitive position in the California marketplace. Opponents of the cost-of-service rate design, including El Paso Natural Gas Company, the State of New Mexico, and FERC Staff, advocated a modified-fixed-variable rate design which would effectively increase the transportation costs from the Alberta border to California and place recovery of fixed costs on the PGT system somewhat at risk. A final decision was not made on this application in 1988.

Over the course of 1988, the Commission also monitored the FERC settlement proceedings which dealt with various competing proposals to serve U.S. Northeast gas markets. Alberta-sourced gas could play a major role in supplying this market through two significant proposals by Iroquois Gas Transmission System (Iroquois) and Champlain Pipeline Company (Champlain), in addition to approximately 30 other proposals

involving a mixture of Canadian and U.S. gas. The settlement proceedings cut the traditional processing time in half for major pipeline applications by classifying certain projects as discrete (serving distinct markets) and by maintaining only competitive or overlapping projects in a comparative hearing process. In the settlement that was reached among the participants, three projects emerged, namely, Iroquois, Champlain and ANR Pipeline Company. These proposals will be treated as three separate and distinct projects with a projected in-service date of November 1991. Decisions on the projects may be made in 1989 after the project proponents file final settlements. TCPL is expected to file a related application with the NEB in 1989 to accommodate the Iroquois and Champlain volumes.

Other issues monitored carefully in the United States by the Commission were certain FERC Notices of Proposed Rulemaking dealing with such items as market-based brokering of firm and interruptible capacity on interstate pipelines. Such brokering would promote capacity allocation and short-term firm transportation. Closely associated with this generic FERC Order, the Commission intervened in a FERC proceeding to address an application by United Gas Pipe Line Company for authorization of an experimental brokering program. Under this program United would make capacity available to other parties by brokering its firm transportation rights on other pipelines, including the Northern Border Pipeline System. The Commission submitted its view that, if the FERC was to approve such a program, it was bound to protect the contracts, obligations and assurances underlying the Alaska Natural Gas Transportation System prebuild, of which Northern Border is an integral part. This application was approved.

Throughout 1988, the Commission monitored the progress of the CPUC's ongoing proceeding on natural gas procurement issues. Of particular interest to the Commission were access to the non-core markets by traditional suppliers, the allocation and the availability of firm capacity on interstate pipelines, and the sequencing of gas purchases by California utilities. Sequencing could significantly affect the takes of gas from Alberta versus competing supplies from the U.S. Southwest. The Commission continues to monitor the efforts by the CPUC to implement its new regulatory program.

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

# AUDITOR'S REPORT

To the Members of the
Alberta Petroleum Marketing Commission

I have examined the balance sheet of the Alberta Petroleum Marketing Commission as at December 31, 1988 and the statement of revenue and expenditure for the Operating Fund and the statement of operations for the Petroleum Marketing Fund for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
March 24, 1989

Alberta PETROLEUM MARKETING COMMISSION

## BALANCE SHEET

As At December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **ASSETS** | | |
| **OPERATING FUND** | | |
| **Current** | | |
| Cash | $ 5,336,137 | $ 6,656,107 |
| Accounts receivable | 432,346 | 536,761 |
| Prepaid expense | 32,560 | - |
| | 5,801,043 | 7,192,868 |
| **Furniture, equipment and leasehold improvements, at cost (Note 3)** | 3,481,380 | 3,536,320 |
| | 9,282,423 | 10,729,188 |
| **PETROLEUM MARKETING FUND** | | |
| **Current** | | |
| Cash | 9,249,829 | 30,324,514 |
| Accounts receivable | 118,850,444 | 177,644,780 |
| | 128,100,273 | 207,969,294 |
| | $ 137,382,696 | $ 218,698,482 |

The accompanying notes are part of these financial statements.

| | 1988 | 1987 |
|---|---|---|
| **LIABILITIES** | | |
| **OPERATING FUND** | | |
| **Current** | | |
| Accounts payable | $ 157,776 | $ 333,039 |
| Payable to the Province of Alberta | 3,896,792 | 5,179,079 |
| Deferred contributions | 1,746,475 | 1,680,750 |
| | 5,801,043 | 7,192,868 |
| **Equity in fixed assets** | 3,481,380 | 3,536,320 |
| | 9,282,423 | 10,729,188 |
| **PETROLEUM MARKETING FUND** | | |
| **Current** | | |
| Accounts payable | 50,294,408 | 71,154,745 |
| Crown royalty payable | 77,805,865 | 136,814,549 |
| | 128,100,273 | 207,969,294 |
| | $ 137,382,696 | $ 218,698,482 |

Alberta PETROLEUM MARKETING COMMISSION

## STATEMENT OF REVENUE AND EXPENDITURE
## OPERATING FUND

For The Year Ended December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **Revenue** | | |
| Crude oil marketing fees | $ 3,331,062 | $ 3,508,140 |
| Interest | 1,469,072 | 2,507,456 |
| Natural gas price component service fees | 165,544 | 188,541 |
| | 4,965,678 | 6,204,137 |
| **Expenditure** | | |
| Salaries and employee benefits | 4,598,784 | 4,797,877 |
| Rental and maintenance of premises (Note 5) | 1,022,314 | 1,095,033 |
| Hearing costs (Note 4) | 237,574 | 395,184 |
| Travel, hospitality & conferences | 169,901 | 193,647 |
| Legal | 145,369 | 61,499 |
| Maintenance of equipment | 141,787 | 140,899 |
| Technical studies | 118,272 | 102,607 |
| External computer services | 110,189 | 101,243 |
| Printing and office supplies | 105,062 | 103,372 |
| Rental of equipment | 98,876 | 58,566 |
| Furniture and equipment | 49,743 | 18,888 |
| Telephone | 38,046 | 38,345 |
| Publications and periodicals | 31,826 | 38,313 |
| Postage and freight | 27,506 | 32,305 |
| Personnel services and recruitment | 24,281 | 76,292 |
| Bank charges | 13,822 | 11,152 |
| Insurance | 8,315 | 5,095 |
| Leasehold improvements | - | 34,553 |
| Miscellaneous | 7,976 | 8,810 |
| | 6,949,643 | 7,313,680 |
| **Excess of expenditure over revenue** | 1,983,965 | 1,109,543 |
| **Contributions from the Province of Alberta** | 1,983,965 | 1,109,543 |
| | $ - | $ - |

Alberta PETROLEUM MARKETING COMMISSION

## STATEMENT OF OPERATIONS
## PETROLEUM MARKETING FUND

For The Year Ended December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **Revenue from sale of crude oil** | **$ 1,635,142,414** | $ 1,996,808,249 |
| **Expenditure** | | |
| Purchase of crude oil | **403,933,831** | 406,186,099 |
| Transportation | **100,128,316** | 91,555,240 |
| **Remitted to the Province of Alberta** | | |
| Conventional royalty oil | **962,197,117** | 1,295,363,119 |
| Synthetic oil - royalty and equity share | **168,883,150** | 203,703,791 |
| | **1,635,142,414** | 1,996,808,249 |
| | **$ -** | $ - |

## NOTE 1 AUTHORITY

The Alberta Petroleum Marketing Commission operates under the authority of the Petroleum Marketing Act, Chapter P-5, Revised Statutes of Alberta 1980, as amended, and the Natural Gas Marketing Act, Chapter N-2.8, Statutes of Alberta 1986, as amended.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

### General

These financial statements have been prepared in accordance with generally accepted accounting principles, with the following exceptions:

a) Purchases of furniture, equipment and leasehold improvements are charged to operating fund expenditure, net of disposal proceeds, in the year of acquisition. However, the balance sheet states the cumulative amount of such expenditures in respect of all fixed assets presently owned with the offsetting credit to equity in fixed assets.

b) Assets and liabilities in foreign currencies have been translated into Canadian dollars at forward exchange contract rates or, where not covered by forward exchange contracts, at the rate of exchange in effect at the balance sheet date.

### Deferred Contributions

The portion of contributions received from the Province of Alberta to cover operating costs for the three month period subsequent to the fiscal year end has been deferred. Contributions by the Province are based on a yearly budget for the period April 1 to March 31.

### Operating Fund Expenditure

The Natural Gas Pricing Agreement Act Fund and Natural Gas Pricing Agreement Market Development Fund were administered by the Commission pursuant to the Natural Gas Pricing Agreement Act. The Take-or-pay Costs Sharing Fund is administered pursuant to the Take-or-pay Costs Sharing Act. The expenditure related to the administration of these Funds is reflected in the Statement of Revenue and Expenditure - Operating Fund.

### Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

## NOTE 3 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Changes in furniture, equipment and leasehold improvements were as follows:

| | Balance December 31, 1987 | Additions | Disposals | Balance December 31, 1988 |
|---|---|---|---|---|
| Furniture and equipment | $ 2,704,501 | $ 164,994 | $ 219,934 | $ 2,649,561 |
| Leasehold improvements | 831,819 | - | - | 831,819 |
| | $ 3,536,320 | $ 164,994 | $ 219,934 | $ 3,481,380 |

## NOTE 4 HEARING COSTS

Hearing costs are comprised of the following:

| | 1988 | 1987 |
|---|---|---|
| Outside counsel | $ 133,781 | $ 318,581 |
| Travel | 75,922 | 33,761 |
| Transcripts | 27,871 | 42,842 |
| | $ 237,574 | $ 395,184 |

## NOTE 5 COMMITMENT

Effective December 1, 1981, the Commission signed a fifteen year lease for office accommodation at a minimum annual rental of $692,360 plus other occupancy costs.

## NOTE 6 COMPARATIVE FIGURES

The 1987 figures have been reclassified where necessary to conform to the 1988 presentation.

## NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Commission.

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

# AUDITOR'S REPORT

To the Members of the
Alberta Petroleum Marketing Commission

I have examined the balance sheet of the Take-or-pay Costs Sharing Fund as at December 31, 1988 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
March 8, 1989

## TAKE-OR-PAY COSTS SHARING FUND
BALANCE SHEET
As At December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 1,824,825 | $ 1,759,511 |
| Accounts receivable | 16,874,152 | 16,696,759 |
| | $ 18,698,977 | $ 18,456,270 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable | $ 6,485,440 | $ 6,505,365 |
| Deferred revenue (Note 3) | 12,213,537 | 11,950,905 |
| | $ 18,698,977 | $ 18,456,270 |

The accompanying notes are part of these financial statements.

## TAKE-OR-PAY COSTS SHARING FUND
### STATEMENT OF REVENUE AND EXPENDITURE
For The Year Ended December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **Revenue** | | |
| Take-or-pay levies | $ 187,532,735 | $ 202,748,916 |
| Interest | 170,394 | 88,291 |
| | 187,703,129 | 202,837,207 |
| **Expenditure** | | |
| Take-or-pay costs | 187,703,129 | 202,837,207 |
| **Excess of revenue over expenditure** | $ - | $ - |

## TAKE-OR-PAY COSTS SHARING FUND
## NOTES TO THE FINANCIAL STATEMENTS
December 31, 1988

### NOTE 1 AUTHORITY

The Take-or-pay Costs Sharing Fund was established by the Take-or-pay Costs Sharing Act, Chapter T-0.1, Statutes of Alberta 1986, as amended.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

**Administration Costs**

In accordance with the Take-or-pay Costs Sharing Act, the Fund is administered by the Alberta Petroleum Marketing Commission. Costs of administration are reflected in the Commission's Statement of Revenue and Expenditure - Operating Fund.

**Changes in Financial Position**

A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

### NOTE 3 DEFERRED REVENUE

Deferred revenue represents the portion of December levies which will be used to pay future take-or-pay costs.

### NOTE 4 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Commission.

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

# AUDITOR'S REPORT

To the Members of the
Alberta Petroleum Marketing Commission

I have examined the balance sheet of the Natural Gas Pricing Agreement Act Fund as at December 31, 1988 and the statement of revenue, expenditure and fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Donald D. Salmon
C.A.
Auditor General

Edmonton, Alberta
February 28, 1989

## NATURAL GAS PRICING AGREEMENT ACT FUND
BALANCE SHEET
As At December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 18,094,784 | $ 11,347,156 |
| Accrued interest | 57,816 | 21,702 |
| | $ 18,152,600 | $ 11,368,858 |
| **FUND BALANCE** | | |
| **Fund balance (Note 3)** | $ 18,152,600 | $ 11,368,858 |

The accompanying notes are part of these financial statements.

## NATURAL GAS PRICING AGREEMENT ACT FUND
## STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
For The Year Ended December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **Revenue** | | |
| Interest | $ 1,186,207 | $ 957,280 |
| **Expenditure** | | |
| Market development incentive payments | - | 247,466 |
| Prior delivery period adjustment (Note 4) | (3,133,141) | 704,729 |
| | (3,133,141) | 952,195 |
| **Excess of revenue over expenditure** | 4,319,348 | 5,085 |
| **Fund balance, beginning of year** | 11,368,858 | 11,363,773 |
| | 15,688,206 | 11,368,858 |
| **Transfer from Natural Gas Pricing Agreement Market Development Fund (Note 5)** | 2,464,394 | - |
| **Fund balance, end of year** | $ 18,152,600 | $ 11,368,858 |

## NATURAL GAS PRICING AGREEMENT ACT FUND
## NOTES TO THE FINANCIAL STATEMENTS
December 31, 1988

### NOTE 1 AUTHORITY

The Natural Gas Pricing Agreement Act Fund was established by the Natural Gas Pricing Agreement Act, Chapter N-4, Revised Statutes of Alberta 1980, as amended.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

**Administration Costs**

In accordance with the Natural Gas Pricing Agreement Act, the Fund is administered by the Alberta Petroleum Marketing Commission. Costs of administration are reflected in the Commission's Statement of Revenue and Expenditure - Operating Fund.

**Changes in Financial Position**

A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

### NOTE 3 FUND BALANCE - SUBSEQUENT TRANSACTION

The final distribution of price adjustments of $14,646,713 was made January 25, 1989, based on October 1986 deliveries. The remaining Fund balance will be transferred to the Province of Alberta General Revenue Fund.

### NOTE 4 PRIOR DELIVERY PERIOD ADJUSTMENT

The 1988 amount represents an adjustment resulting from the settlement of an outstanding claim relating to prior delivery periods.

### NOTE 5 TRANSFER FROM NATURAL GAS PRICING AGREEMENT MARKET DEVELOPMENT FUND

In accordance with the Natural Gas Pricing Agreement Act, and as directed by the Minister of Energy, the Market Development Fund balance was transferred to the Natural Gas Pricing Agreement Act Fund in October 1988.

### NOTE 6 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Commission.

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

# AUDITOR'S REPORT

To the Members of the
Alberta Petroleum Marketing Commission

I have examined the statement of receipts and fund balance of the Natural Gas Pricing Agreement Market Development Fund for the year ended December 31, 1988. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the balance of the Fund as at December 31, 1988 and the receipts collected for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statement applied on a basis consistent with that of the preceding year.

Donald D. Salmon
C.A.
Auditor General

Edmonton, Alberta
February 28, 1989

## NATURAL GAS PRICING AGREEMENT MARKET DEVELOPMENT FUND
## STATEMENT OF RECEIPTS AND FUND BALANCE

For The Year Ended December 31, 1988

| | 1988 | 1987 |
|---|---|---|
| **Receipts** | | |
| Interest | $ 161,147 | $ 173,251 |
| **Fund balance, beginning of year** | 2,303,247 | 2,129,996 |
| | 2,464,394 | 2,303,247 |
| **Transfer to Natural Gas Pricing Agreement Act Fund (Note 3)** | 2,464,394 | - |
| **Fund balance, end of year** | $ - | $ 2,303,247 |

The accompanying notes are part of this financial statement.

## NATURAL GAS PRICING AGREEMENT MARKET DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENT

December 31, 1988

### NOTE 1 AUTHORITY

The Natural Gas Pricing Agreement Market Development Fund was established by the Natural Gas Pricing Agreement Act, Chapter N-4, Revised Statutes of Alberta 1980, as amended.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

**General**

The Fund's financial statement has been prepared on a cash basis.

**Administration Costs**

In accordance with the Natural Gas Pricing Agreement Act, the Fund is administered by the Alberta Petroleum Marketing Commission. Costs of administration are reflected in the Commission's Statement of Revenue and Expenditure - Operating Fund.

### NOTE 3 TRANSFER TO NATURAL GAS PRICING AGREEMENT ACT FUND

In accordance with the Natural Gas Pricing Agreement Act, and as directed by the Minister of Energy, the Fund balance was transferred to the Natural Gas Pricing Agreement Act Fund in October 1988.

### NOTE 4 APPROVAL OF FINANCIAL STATEMENT

This financial statement was approved by the Commission.

# DIRECTORY

## COMMISSION

DALE A. LUCAS
Chairman

DAVID L. WILLIS
Vice Chairman

GORDON R. SCOTT
Member

## GENERAL COUNSEL AND SECRETARY

SHEILA F. McALLISTER

## FINANCE AND ADMINISTRATION

GARTH K. PALMER
Managing Director

T.N. RITCHIE FONS
Comptroller

WILLIAM G. HENDERSON
Manager, Financial Accounting - Petroleum

BRIAN R. ZAPFE
Manager, Financial Accounting - Natural Gas and Payroll

## HUMAN RESOURCES

OREST L. ZWARICH
Manager

## INFORMATION SERVICES

RICHARD W. TOVELL
Managing Director

SAM LEUNG
Manager, Computer Services

DONNA L. SANDEROW
Manager, Systems Development

## CRUDE OIL

GERRY H. BIETZ
General Manager

GARY E. BAERG
Manager, Crude Oil Supply

ROBERT F.C. McDONALD
Manager, Crude Oil Pricing and Planning

GLENN N. MURRAY
Manager, Crude Oil Sales

DONALD M. OLINECK
Manager, Crude Oil Supply Accounting

## MARKET ANALYSIS AND REGULATORY AFFAIRS

CELINE BELANGER
General Manager

ROBERT D.J. ALLEN
Manager, Planning

JERRY McNAMARA
Manager, Regulatory Affairs

PATRICK C. TSUEN
Manager, Gas Markets

## NATURAL GAS

VERNON M. THOMAS
General Manager

EDWIN K. ADAMS
Manager, Natural Gas Audits

WILLIAM A. McKAIN
Manager, Gas Operations

## INTERNAL AUDIT

WILHELM M. ZINKHOFER

as at date of publication